

GEORGE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2011

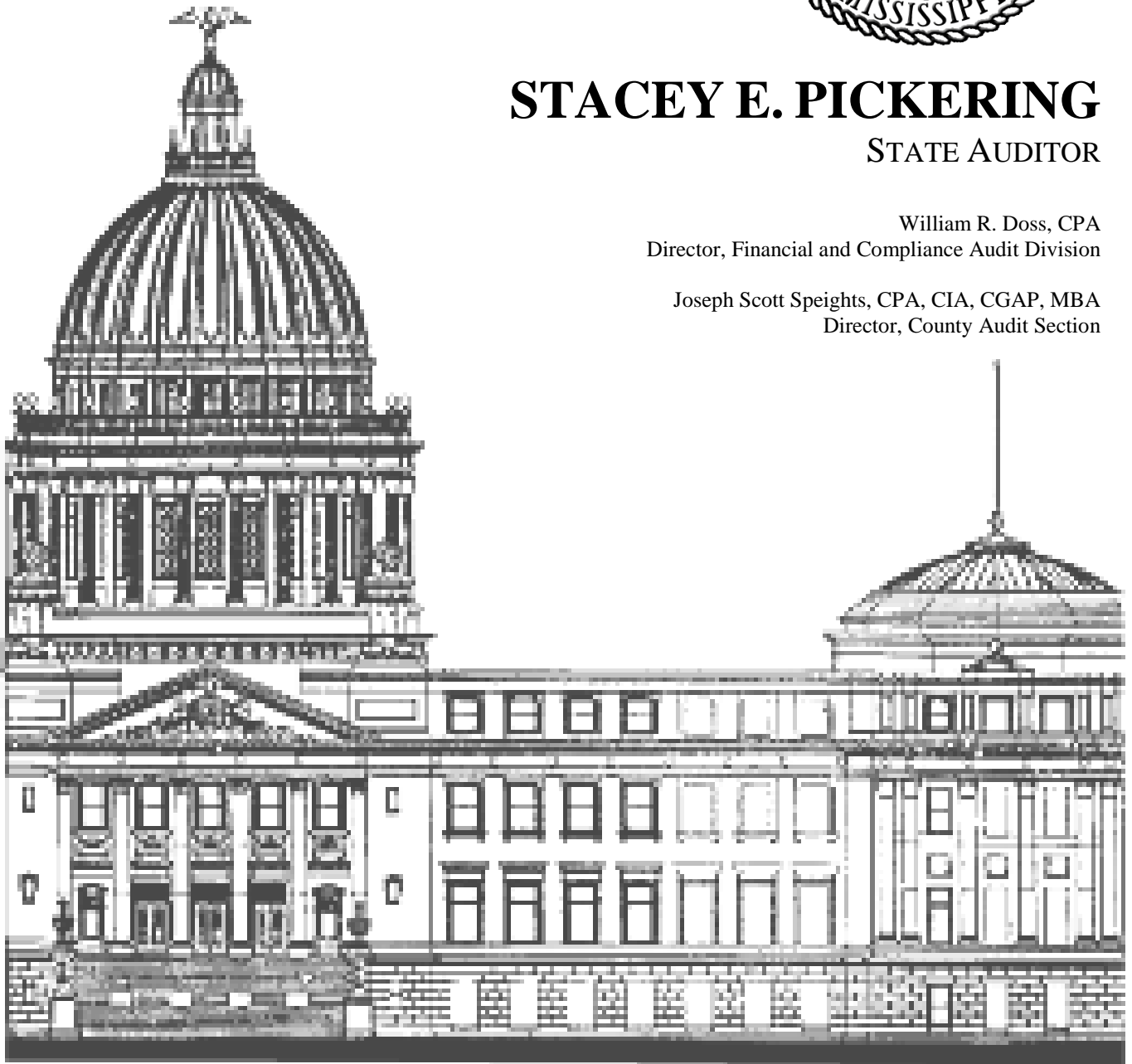


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

February 4, 2013

Members of the Board of Supervisors
George County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2011 financial and compliance audit report for George County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of George County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for George County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering
State Auditor

GEORGE COUNTY
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GEORGE COUNTY

FINANCIAL SECTION

GEORGE COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
George County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of George County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component unit, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component unit of George County, Mississippi, as of September 30, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of George County, Mississippi, as of September 30, 2011, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.


As discussed in Note 2, the county adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2013, on our consideration of George County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

George County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise George County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 4, 2013

GEORGE COUNTY

FINANCIAL STATEMENTS

GEORGE COUNTY

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GEORGE COUNTY
Statement of Net Assets
September 30, 2011

Exhibit 1

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 7,704,294		7,704,294
Restricted assets - Cash		2,271,356	2,271,356
Property tax receivable	6,674,900		6,674,900
Accounts receivable (net of allowance for uncollectibles of \$ 232,566)	232,566		232,566
Fines receivable (net of allowance for uncollectibles of \$ 1,075,954)	499,454		499,454
Loans receivable (net of allowance for uncollectibles of \$ 50,000)	567,215		567,215
Intergovernmental receivables	487,219	240,220	727,439
Deferred charges - bond issuance costs		181,714	181,714
Capital assets:			
Land and construction in progress	1,376,349	87,674	1,464,023
Other capital assets, net	48,201,844	6,299,790	54,501,634
Total Assets	<u>65,743,841</u>	<u>9,080,754</u>	<u>74,824,595</u>
LIABILITIES			
Claims payable	358,491	29,317	387,808
Intergovernmental payables	215,273		215,273
Accrued interest payable		37,658	37,658
Deferred revenue	6,674,900		6,674,900
Other payables	15,346		15,346
Due within one year:			
Capital debt	467,944	417,972	885,916
Non-capital debt	84,808		84,808
Due in more than one year:			
Capital debt	486,937	5,753,776	6,240,713
Non-capital debt	598,999	122,562	721,561
Total Liabilities	<u>8,902,698</u>	<u>6,361,285</u>	<u>15,263,983</u>
NET ASSETS			
Invested in capital assets, net of related debt	48,623,312	215,716	48,839,028
Restricted:			
Expendable:			
General government	331,815		331,815
Public safety	1,357,776	2,503,753	3,861,529
Public works	1,938,835		1,938,835
Culture and recreation	109,308		109,308
Economic development	567,215		567,215
Unrestricted	3,912,882		3,912,882
Total Net Assets	<u>\$ 56,841,143</u>	<u>2,719,469</u>	<u>59,560,612</u>

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY
Statement of Activities
For the Year Ended September 30, 2011

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,207,815	703,334	32,860		(2,471,621)		(2,471,621)
Public safety	2,460,326	359,051	126,819	242,774	(1,731,682)		(1,731,682)
Public works	3,549,544	583,668	706,389	767,664	(1,491,823)		(1,491,823)
Health and welfare	252,982		37,664	12,114	(203,204)		(203,204)
Culture and recreation	18,311				(18,311)		(18,311)
Conservation of natural resources	41,027				(41,027)		(41,027)
Economic development and assistance	25,278				(25,278)		(25,278)
Interest on long-term debt	55,337				(55,337)		(55,337)
Total Governmental Activities	<u>9,610,620</u>	<u>1,646,053</u>	<u>903,732</u>	<u>1,022,552</u>	<u>(6,038,283)</u>	<u>0</u>	<u>(6,038,283)</u>
Business-type activities:							
Regional Jail	<u>3,087,953</u>	<u>2,850,791</u>				(237,162)	(237,162)
Total Business-type Activities	<u>3,087,953</u>	<u>2,850,791</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(237,162)</u>	<u>(237,162)</u>
Total Primary Government	<u>\$ 12,698,573</u>	<u>4,496,844</u>	<u>903,732</u>	<u>1,022,552</u>	<u>(6,038,283)</u>	<u>(237,162)</u>	<u>(6,275,445)</u>
General revenues:							
Property taxes					\$ 7,020,835		7,020,835
Road & bridge privilege taxes					264,265		264,265
Grants and contributions not restricted to specific programs					286,391	71,600	357,991
Unrestricted interest income					170,583	8,560	179,143
Miscellaneous					250,362	24,981	275,343
Transfers					(135)	135	0
Total General Revenues					<u>7,992,301</u>	<u>105,276</u>	<u>8,097,577</u>
Changes in Net Assets					<u>1,954,018</u>	<u>(131,886)</u>	<u>1,822,132</u>
Net Assets - Beginning, as previously reported					55,219,790	2,679,323	57,899,113
Prior period adjustments					<u>(332,665)</u>	<u>172,032</u>	<u>(160,633)</u>
Net Assets - Beginning, as restated					<u>54,887,125</u>	<u>2,851,355</u>	<u>57,738,480</u>
Net Assets - Ending					<u>\$ 56,841,143</u>	<u>2,719,469</u>	<u>59,560,612</u>

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY
Balance Sheet - Governmental Funds
September 30, 2011

Exhibit 3

	Major Funds	Other Governmental Funds	Total Governmental Funds
	General Fund		
ASSETS			
Cash	\$ 3,972,947	3,731,347	7,704,294
Property tax receivable	3,339,200	3,335,700	6,674,900
Accounts receivable (net of allowance for uncollectibles of \$ 232,566)		232,566	232,566
Fines receivable (net of allowance for uncollectibles of \$ 1,075,954)	499,454		499,454
Loans receivable (net of allowance for uncollectibles of \$50,000)		567,215	567,215
Intergovernmental receivables	128,315	358,904	487,219
Due from other funds	132,732	81,921	214,653
Total Assets	\$ <u>8,072,648</u>	<u>8,307,653</u>	<u>16,380,301</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 35,776	322,715	358,491
Intergovernmental payables	212,331		212,331
Due to other funds	105,872	111,723	217,595
Deferred revenue	3,838,654	3,568,266	7,406,920
Other payables	15,346		15,346
Total Liabilities	<u>4,207,979</u>	<u>4,002,704</u>	<u>8,210,683</u>
Fund balances:			
Restricted for:			
General government		331,815	331,815
Public safety		1,357,776	1,357,776
Public works		1,938,835	1,938,835
Culture and recreation		109,308	109,308
Economic development and assistance		567,215	567,215
Unassigned	3,864,669		3,864,669
Total Fund Balances	<u>3,864,669</u>	<u>4,304,949</u>	<u>8,169,618</u>
Total Liabilities and Fund Balances	\$ <u>8,072,648</u>	<u>8,307,653</u>	<u>16,380,301</u>

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 8,169,618
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$75,766,018.	49,578,193
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	732,020
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,638,688)</u>
Total Net Assets - Governmental Activities	\$ <u><u>56,841,143</u></u>

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2011

	Major Funds		
	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 3,648,654	3,372,181	7,020,835
Road and bridge privilege taxes		264,265	264,265
Licenses, commissions and other revenue	358,279	17,479	375,758
Fines and forfeitures	380,722	21,723	402,445
Intergovernmental revenues	448,020	1,764,655	2,212,675
Charges for services	290,796	589,282	880,078
Interest income	123,528	47,055	170,583
Miscellaneous revenues	79,673	107,754	187,427
Total Revenues	5,329,672	6,184,394	11,514,066
EXPENDITURES			
Current:			
General government	2,935,382	1,350,246	4,285,628
Public safety	1,977,475	361,448	2,338,923
Public works		4,733,980	4,733,980
Health and welfare	252,982		252,982
Culture and recreation	18,311		18,311
Conservation of natural resources	41,027		41,027
Economic development and assistance	20,791	4,487	25,278
Debt service:			
Principal	34,120	1,345,721	1,379,841
Interest	4,391	50,946	55,337
Total Expenditures	5,284,479	7,846,828	13,131,307
Excess of Revenues over (under) Expenditures	45,193	(1,662,434)	(1,617,241)
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		473,200	473,200
Proceeds from sale of capital assets	22,842	585,171	608,013
Compensation for loss of capital assets	8,463	9,602	18,065
Transfers in	31,443	332,034	363,477
Transfers out	(275,210)	(88,402)	(363,612)
Total Other Financing Sources and Uses	(212,462)	1,311,605	1,099,143
Net Changes in Fund Balances	(167,269)	(350,829)	(518,098)
Fund Balances - Beginning	3,946,095	4,452,251	8,398,346
Prior period adjustments	85,843	203,527	289,370
Fund Balances - Beginning, as restated	4,031,938	4,655,778	8,687,716
Fund Balances - Ending	\$ 3,864,669	4,304,949	8,169,618

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2011

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (518,098)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$3,783,627 exceeded depreciation of \$1,647,984 in the current period.	2,135,643
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$44,869 and the proceeds from the sale of \$ 608,013 in the current period.	(563,144)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(36,487)
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	24,260
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,379,841 exceeded debt proceeds of \$473,200.	906,641
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net assets differs from the change in fund balances by a decrease in compensated absences payable.	<u>5,203</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,954,018</u></u>

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2011

Exhibit 5

	Business-type Activities - Enterprise Fund Regional Jail Fund
ASSETS	
Current assets:	
Restricted cash	\$ 2,271,356
Intergovernmental receivables	240,220
Total Current Assets	<u>2,511,576</u>
Noncurrent assets:	
Deferred charges - bond issuance costs	181,714
Capital assets:	
Land	87,674
Other capital assets, net	<u>6,299,790</u>
Total Noncurrent Assets	<u>6,569,178</u>
Total Assets	<u>9,080,754</u>
LIABILITIES	
Current liabilities:	
Claims payable	29,317
Accrued interest payable	37,658
Capital debt:	
Other long-term liabilities	<u>417,972</u>
Total Current Liabilities	<u>484,947</u>
Noncurrent liabilities:	
Capital debt:	
Other long-term liabilities	5,753,776
Non-capital debt:	
Compensated absences payable	<u>122,562</u>
Total Noncurrent Liabilities	<u>5,876,338</u>
Total Liabilities	<u>6,361,285</u>
NET ASSETS	
Invested in capital assets, net of related debt	215,716
Restricted for:	
Public safety	<u>2,503,753</u>
Total Net Assets	\$ <u><u>2,719,469</u></u>

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2011

	Business-type Activities - Enterprise Fund Regional Jail Fund
Operating Revenues	
Charges for services	\$ 2,850,791
Miscellaneous	24,981
Total Operating Revenues	<u>2,875,772</u>
Operating Expenses	
Personal services	1,791,415
Contractual services	324,810
Materials and supplies	473,148
Depreciation expense	164,897
Total Operating Expenses	<u>2,754,270</u>
Operating Income (Loss)	<u>121,502</u>
Nonoperating Revenues (Expenses)	
Interest income	8,560
Intergovernmental grants	71,600
Interest expense	(313,492)
Amortization of deferred charges - bond issuance	(20,191)
Net Nonoperating Revenue (Expenses)	<u>(253,523)</u>
Net Income (Loss) and Transfers	<u>(132,021)</u>
Transfers in	<u>135</u>
Changes in Net Assets	<u>(131,886)</u>
Net Assets - Beginning	2,679,323
Prior period adjustments	172,032
Net Assets - Beginning, as restated	<u>2,851,355</u>
Net Assets - Ending	<u><u>\$ 2,719,469</u></u>

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2011

Exhibit 7

	Business-type Activities - Enterprise Fund
	Regional Jail Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,842,903
Payments to suppliers	(839,257)
Payments to employees	(1,761,364)
Other miscellaneous cash receipts	24,981
Net Cash Provided (Used) by Operating Activities	267,263
Cash Flows From Noncapital Financing Activities	
Intergovernmental grants received	67,300
Cash received from other funds:	
Operating transfers in	135
Operating transfers in due to Prior Period Adjustment	89,207
Net Cash Provided (Used) by Noncapital Financing Activities	156,642
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	4,065,000
Principal paid on long-term debt	(4,300,000)
Interest paid on debt	(345,588)
Payments to qualified obligation refunding trustee	(215,243)
Net Cash Provided (Used) by Capital and Related Financing Activities	(795,831)
Cash Flows From Investing Activities	
Interest on deposits	8,560
Net Cash Provided (Used) by Investing Activities	8,560
Net Increase (Decrease) in Cash and Cash Equivalents	(363,366)
Cash and Cash Equivalents at Beginning of Year	2,634,722
Cash and Cash Equivalents at End of Year	\$ 2,271,356
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 121,502
provided (used) by operating activities:	
Depreciation expense	164,897
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivables	(7,888)
(Increase) decrease in claims receivable	(12,491)
Increase (decrease) in compensated absences payable	1,243
Total Adjustments	145,761
Net Cash Provided (Used) by Operating Activities	\$ 267,263

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2011

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 371,813
Due from other funds	<u>23,951</u>
Total Assets	<u>\$ 395,764</u>
LIABILITIES	
Intergovernmental payables	\$ 374,755
Due to other funds	<u>21,009</u>
Total Liabilities	<u>\$ 395,764</u>

The notes to the financial statements are an integral part of this statement.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

George County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require George County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component unit which has significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- George Regional Hospital

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Individual Component Unit Disclosures.

Blended Component Unit

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component unit balances and transactions are blended with the balances and transactions of the primary government.

George County Public Improvement Corporation was incorporated as a nonprofit under Section 31-8-3, Miss. Code Ann. (1972), which allows counties to enter into lease agreements with any corporation. The corporation's three-member board of directors is appointed by the Board of Supervisors. The corporation produces a financial benefit through its ability to finance the construction, acquisition, and renovation of capital facilities for the primary government and imposes a financial burden on the primary government by obligating funds to repay the debt pursuant to a lease agreement.

C. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

The Statement of Net Assets presents the financial condition of the governmental activities-and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Fund:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

The county reports the following major Enterprise Fund:

Regional Jail Fund – This fund is used to account for monies from inmate housing agreement income with the Mississippi Department of Corrections for housing state prisoners.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

E. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

F. Deposits.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

G. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and-payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Restricted Assets.

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Certain proceeds of the county's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue fund" is used to account for all revenues of the correctional facility and to provide payment for operating and maintenance expenses as well as required monthly deposits to other accounts to meet minimum requirements of the trust agreement. The "depreciation and operating reserve" fund is used to pay the cost of major repairs and replacements to the correctional facility the costs of which are such that they should be spread over a number of years rather than charged as a current expense in a single year. The "general" account is used to accumulate funds to pay the principal and interest payments due on the county's enterprise fund revenue bonds. The "debt service reserve" account is used to report resources set aside to subsidize potential deficiencies from the county's operation that could adversely affect debt service payments. The "regional jail construction" fund is used to pay the costs of major repairs and replacements to the correctional facility as well as to pay operating and maintenance expense when other funds are insufficient to pay these expenses within established limitations.

J. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. George County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

K. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county’s general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

M. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

N. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

O. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments are as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
Governmental Activities:	
To correct prior year errors in capital assets.	\$ (622,035)
To correct prior year errors in recording expenditures.	289,370
	<u>\$ (332,665)</u>
Business-type Activities:	
To correct prior year errors in recording expenditures.	\$ 89,298
To correct prior year errors in capital assets.	82,734
	<u>172,032</u>
Total prior period adjustments	<u>\$ 172,032</u>

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in recording expenditures.	\$ 85,843
To correct prior year errors in recording expenditures.	<u>203,527</u>
Total prior period adjustments	<u>\$ 289,370</u>

Exhibit 6 - Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund.

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in recording expenditures	\$ 89,298
To correct prior year errors in capital assets	<u>82,734</u>
Total prior period adjustments	<u>\$ 172,032</u>

(4) Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$10,347,463, and the bank balance was \$10,788,745. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2011:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 111,723
General Fund	Agency Funds	21,009
Other Governmental Funds	General Fund	81,921
Agency Funds	General Fund	<u>23,951</u>
Total		<u>\$ 238,604</u>

The receivable in the General Fund was to cover cash deficits at year-end. The receivable in the Other Governmental Funds and Agency Funds represent the tax revenue collected and others but not settled until October, 2011. All interfund balances are expected to be repaid within one year from the date of the financial statements.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 31,443
Other Governmental Funds	General Fund	275,075
Other Governmental Funds	Other Governmental Funds	56,959
Regional Jail Fund	General Fund	<u>135</u>
Total		\$ <u>363,612</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2011, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 107,997
Hazard Mitigation Grant – East & West Fema Shelters	358,904
E-911 Fees	<u>20,318</u>
Total Governmental Activities	\$ <u>487,219</u>
Business-type Activities:	
MDOC - Inmate Housing	\$ 198,287
Jackson County- Inmate Housing	4,760
City of Lucedale –Inmate Housing	3,260
Greene County – Inmate Housing	450
George County – Inmate Housing	29,163
Nurse Reimbursement	<u>4,300</u>
Total Business-type Activities	\$ <u>240,220</u>

(7) Loans Receivable.

Loans receivable balances at September 30, 2011, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
George County Hospital*	10/26/1992	0.00%	Unknown	\$ 50,000
Freight rail service loan	10/6/2003	1.00%	3/1/2020	567,215
Total				617,215
Less: Allowance for doubtful accounts				<u>(50,000)</u>
Total, Net of allowance for doubtful accounts				\$ <u>567,215</u>

* The George County Hospital loan receivable was determined to be uncollectible in fiscal year 1996.

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(8) Restricted Assets.

The balances of the restricted asset accounts in the enterprise fund is as follows:

Revenue Fund	\$	1,368,844
General Account		187,986
Debt service reserve fund		406,804
Depreciation and operating reserve fund		25,011
Regional jail construction fund		<u>282,711</u>
Total restricted assets	\$	<u><u>2,271,356</u></u>

(9) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities:

	Balance Oct. 1, 2010	Additions	Deletions	Completed Construction	*Adjustments	Balance Sept. 30, 2011
Non-depreciable capital assets:						
Land	\$ 738,299	48,636				786,935
Construction in progress	<u>2,499,285</u>	<u>1,058,873</u>		<u>(2,553,921)</u>	<u>(414,823)</u>	<u>589,414</u>
Total non-depreciable capital assets	<u>3,237,584</u>	<u>1,107,509</u>	<u>0</u>	<u>(2,553,921)</u>	<u>(414,823)</u>	<u>1,376,349</u>
Depreciable capital assets:						
Infrastructure	102,663,827	1,550,553			8	104,214,388
Buildings	4,097,038	56,848		2,553,921		6,707,807
Improvements other than buildings	163,277	74,305			(130,000)	107,582
Mobile equipment	9,401,031	770,817	757,580		953,732	10,368,000
Furniture and equipment	583,428	57,245	29,905		24,309	635,077
Leased property under capital leases	<u>2,722,388</u>	<u>166,350</u>			<u>(953,730)</u>	<u>1,935,008</u>
Total depreciable capital assets	<u>119,630,989</u>	<u>2,676,118</u>	<u>787,485</u>	<u>2,553,921</u>	<u>(105,681)</u>	<u>123,967,862</u>
Less accumulated depreciation for:						
Infrastructure	65,068,296	486,502			(141)	65,554,657
Buildings	1,299,669	116,950			1,459	1,418,078
Improvements other than buildings	15,856	4,305			(5,200)	14,961
Mobile equipment	6,905,275	787,130	201,279		192,641	7,683,767
Furniture and equipment	334,180	78,929	23,062		6,246	396,293
Leased property under capital leases	<u>617,568</u>	<u>174,168</u>			<u>(93,474)</u>	<u>698,262</u>
Total accumulated Depreciation	<u>74,240,844</u>	<u>1,647,984</u>	<u>224,341</u>	<u>0</u>	<u>101,531</u>	<u>75,766,018</u>
Total depreciable capital assets, net	<u>45,390,145</u>	<u>1,028,134</u>	<u>563,144</u>	<u>2,553,921</u>	<u>(207,212)</u>	<u>48,201,844</u>
Governmental activities capital assets, net	\$ <u><u>48,627,729</u></u>	<u><u>2,135,643</u></u>	<u><u>563,144</u></u>	<u><u>0</u></u>	<u><u>(622,035)</u></u>	<u><u>49,578,193</u></u>

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Business-type activities:

	Balance Oct. 1, 2010	Additions	Deletions	* Adjustment	Balance Sept. 30, 2011
<u>Non-depreciable capital</u>					
Land	\$ 87,674				87,674
Total non-depreciable capital assets	<u>87,674</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>87,674</u>
<u>Depreciable capital assets:</u>					
Buildings	7,415,772				7,415,772
Improvements other than buildings				130,000	130,000
Mobile equipment	75,996				75,996
Furniture and equipment	104,462				104,462
Total depreciable capital assets	<u>7,596,230</u>	<u>0</u>	<u>0</u>	<u>130,000</u>	<u>7,726,230</u>
<u>Less accumulated depreciation for:</u>					
Buildings	1,085,026	148,319		42,066	1,275,411
Improvements other than buildings		5,200		5,200	10,400
Mobile equipment	68,396				68,396
Furniture and equipment	60,855	11,378			72,233
Total accumulated depreciation	<u>1,214,277</u>	<u>164,897</u>	<u>0</u>	<u>47,266</u>	<u>1,426,440</u>
Total depreciable capital assets, net	<u>6,381,953</u>	<u>(164,897)</u>	<u>0</u>	<u>82,734</u>	<u>6,299,790</u>
Business-type activities capital assets, net	<u>\$ 6,469,627</u>	<u>(164,897)</u>	<u>0</u>	<u>82,734</u>	<u>6,387,464</u>

* Adjustments to capital assets were due to the transfer of ownership of assets to other entities, reclassification of asset class or activity type, and also, adjustments made in the prior audit years to the capital asset listing.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 156,586
Public safety	450,611
Public works	1,039,261
Health and welfare	691
Conservation of natural reserve	<u>835</u>
Total governmental activities depreciation expense	<u>\$ 1,647,984</u>
Business-type activities:	
Correctional facility	<u>\$ 164,897</u>

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Commitments with respect to unfinished capital projects at September 30, 2011, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
East Storm Shelter (Disaster Grant)	\$ 1,283,574	11/9/2012
West Storm Shelter (Disaster Grant)	1,255,088	11/9/2012
Total Capital project Commitments	<u>2,538,662</u>	

(10) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2011, to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(11) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2011:

Classes of Property	Governmental Activities
Mobile equipment	\$ 1,935,008
Less: Accumulated depreciation	<u>698,262</u>
Leased Property Under Capital Leases	\$ <u>1,236,746</u>

The following is a schedule by years of the total payments due as of September 30, 2011:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2012	\$ 477,921	22,916
2013	277,818	8,830
2014	73,737	2,819
2015	<u>55,046</u>	<u>777</u>
Total	\$ <u>884,522</u>	<u>35,342</u>

GEORGE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2011

(12) Long-term Debt.

Debt outstanding as of September 30, 2011, consisted of the following:

Description and Purpose	Amount	Interest Rate	Final Maturity Date
Governmental Activities:			
A. Capital Leases:			
Computer System Upgrade	\$ 20,647	4.35%	07/01/2012
Four Garbage Trucks	20,984	4.28%	11/01/2012
District 3 Backhoe	41,718	4.35%	09/01/2012
District 4 Backhoe	41,718	4.35%	09/01/2012
District 4 Caterpillar Motor Grader	140,333	3.49%	03/01/2012
District 4 Wheel Loader	124,995	3.02%	05/01/2013
District 1 Caterpillar Backhoe	41,118	3.14%	05/01/2015
District 1 (2) 2008 Mack Dump Trucks	118,565	3.04%	06/25/2015
District 1 John Deere Tractor	55,450	2.89%	08/24/2012
District 3 (2) John Deere 6330 Tractor	110,900	2.89%	08/24/2012
District 3 (2) 2008 Mack Dump Trucks	123,528	3.04%	08/15/2015
District 1 John Deere Tractor	<u>44,566</u>	2.99%	03/31/2014
Total Capital Leases	<u>\$ 884,522</u>		
B. Other Loans:			
Multi-Purpose Building Loan	\$ 91,008	3.00%	07/01/2019
Freight Rail Service Revolving MDA Loan	<u>563,981</u>	1.00%	03/01/2020
Total Other Loans	<u>\$ 654,989</u>		
Business-type Activities:			
A. General Obligation Bonds:			
General Obligation Bond, Series 2008	<u>\$ 2,215,000</u>	4.00-5.50%	12/01/2028
B. Limited Obligation Bonds:			
Urban Renewal Revenue Refunding Bond, Series 2011	<u>\$ 4,065,000</u>	2.50-4.25%	04/01/2021

Pledge of Future Revenues - The county has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$4,065,000 in limited obligation urban renewal revenue bonds issued in March 24, 2011. Proceeds from the bonds provided financing for the construction of the George County Regional Correctional Facility. The bonds are not a general obligation of the county and, therefore, are not secured by the full faith and credit of the county. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through First National Bank of Clarksdale. Annual principal and interest payments on the bonds are expected to require less than 5.79% percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$4,944,569. Principal and interest paid for the current year and total inmate housing net revenues were \$0 and \$2,842,903, respectively.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	Other Loans	
	Principal	Interest
2012	\$ 74,831	7,951
2013	75,800	6,982
2014	76,786	5,996
2015	77,787	4,995
2016	78,808	3,975
2017 – 2021	270,977	4,495
Total	654,989	34,394

Business-type Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2012	\$ 80,000	100,619	350,000	141,046
2013	80,000	96,419	355,000	129,606
2014	85,000	92,088	370,000	120,731
2015	95,000	87,363	380,000	111,481
2016	95,000	82,494	400,000	100,081
2017 – 2021	555,000	336,414	2,210,000	276,624
2022 – 2026	710,000	197,823		
2027 – 2031	515,000	35,438		
Total	\$ 2,215,000	1,028,658	4,065,000	879,569

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2011, the amount of outstanding debt was equal to 4.01% of the latest property assessments.

Special Assessment Debt with Commitments - During fiscal year 2009, the county issued special assessment bond issues totaling \$2,500,000. The debt was issued to provide funds for the construction and improving capital facilities of the George Regional Hospital. The bonds are secured by the full faith and credit of the county. The county levied a special assessment tax upon all taxable property in the benefitted area. The tax is adequate and sufficient to provide for the payment of the principal and interest on the bonds. At September 30, 2011, \$2,010,000 was the balance of the Limited Obligation Bond. (See Also Note 13).

Current Refunding - On March 24, 2011, the county issued \$4,065,000 in limited obligation refunding bonds with an average interest rate of 3.33% to refund \$3,803,500 of the following outstanding bond issue:

Issue Date	Average Interest Rate	Outstanding Amount Refunded
12/01/2001	3.33%	\$ 3,803,500

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

The county refunded the above bonds to reduce its total debt service payments over the next ten years by almost \$751,510 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$140,673.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

	Balance Oct. 1, 2010	Additions	Reductions	Adjustments*	Balance Sept. 30, 2011	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 104,380		5,203		99,177	
Capital leases	1,717,708	473,200	1,306,386		884,522	477,921
Other loans	728,444		73,455		654,989	74,831
Total	\$ 2,550,532	473,200	1,385,044		1,638,688	552,752
Business-type Activities:						
Compensated absences	\$ 121,319	1,243			122,562	
General obligation bonds	2,290,000		75,000		2,215,000	80,000
Limited obligation bonds	4,225,000	4,065,000	421,500	(3,803,500)	4,065,000	350,000
Less:						
Deferred amount on refunding		(139,484)	(13,948)		(125,536)	(13,948)
Add:						
Issuance Premiums		19,205	1,921		17,284	1,920
Total	\$ 6,636,319	3,945,964	484,473	(3,803,500)	6,294,310	417,972

* Adjustment is for the Bond Refunding.

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, Solid Waste Fund, and for Business-type activities, the Regional Jail Fund.

(13) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

Hospital Revenue and Limited Tax Refunding Bond, Series 2008 Contingencies - The county issues revenue bonds and limited tax notes to provide funds for constructing and improving capital facilities of the George Regional Hospital. Revenue and limited tax note bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue and limited tax note bonds outstanding at September 30, 2011, is \$2,010,000.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Region 14 Singing River Mental Health/Mental Retardation Center operates in a district composed of counties of George and Jackson. The George County Board of Supervisors appoints one of the two members of the board of commissioners. The county appropriated \$48,473 for support of the center in the fiscal year 2011.

Southern Mississippi Planning and Development District operates in a district composed of the counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone, and Wayne. The George County Board of Supervisors appoints one of the 27 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$48,460 for support of the district in the fiscal year 2011.

Mississippi Gulf Coast Community College operates in a district composed of the counties of George, Harrison, Jackson, and Stone. The college's board of trustees is composed of 23 members; three each appointed by George and Stone Counties, eight each appointed by Harrison and Jackson Counties, and one appointed at large. The county appropriated \$512,803 for maintenance and support of the college in fiscal year 2011.

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone, and Wayne. The governing body is a 15 member board of commissioners; one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

Gulf Coast Community Action Agency operates in the Counties of George, Greene, Hancock, and Harrison. The agency's board is composed of 24 members; one each appointed by the Counties of George, Greene, Hancock, and Harrison, and the cities of Bay St. Louis, Biloxi, Gulfport, and Pass Christian, with the remaining 16 appointed by the private sector. Most of the entity's funding comes through federal grants and the member governments provides only a modest amount of financial support when the grants require matching funds.

Regional Railroad Authority of East Mississippi was created in September 2009, jointly with George County, Clarke County, Greene County, Jackson County, Lauderdale County, and Wayne County to compliment and support the existing railroads presently operating in East Mississippi. Each county appoints five commissioners to the Board of Commissioners of the Authority. Additionally, each municipality in any of these counties through which a railroad runs shall appoint one commissioner. The county generally provided no support to the Authority in 2011.

(15) Defined Benefit Pension Plan.

Plan Description. George County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2011, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2011 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2011, 2010 and 2009 were \$491,146, \$500,113 and \$477,425, respectively, equal to the required contributions for each year.

GEORGE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2011

(16) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of George County evaluated the activity of the county through February 4, 2013, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2011, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
03/01/2012	2.11%	\$ 208,470	Capital Lease	Tax Revenue
04/15/2012	2.00%	116,900	Capital Lease	Tax Revenue
04/15/2012	2.00%	123,800	Capital Lease	Tax Revenue
04/15/2012	2.00%	116,900	Capital Lease	Tax Revenue
04/15/2012	2.00%	123,800	Capital Lease	Tax Revenue
04/15/2012	2.09%	112,937	Capital Lease	Tax Revenue
05/18/2012	1.79%	45,653	Capital Lease	Tax Revenue
07/25/2012	1.81%	93,785	Capital Lease	Tax Revenue
12/18/2012	1.83%	27,762	Capital Lease	Tax Revenue

GEORGE COUNTY

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GEORGE COUNTY

(REQUIRED SUPPLEMENTARY INFORMATION)

GEORGE COUNTY

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GEORGE COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2011

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,610,200	3,660,440	3,660,440	
Road and bridge privilege taxes				
Licenses, commissions and other revenue	380,700	357,712	357,712	
Fines and forfeitures	375,400	383,230	383,230	
Special assessments				
Contributions to permanent funds				
Intergovernmental revenues	434,150	769,109	769,109	
Charges for services	250,000	270,479	270,479	
Interest income	107,500	43,349	43,349	
Miscellaneous revenues	32,050	62,714	62,714	
Total Revenues	<u>5,190,000</u>	<u>5,547,033</u>	<u>5,547,033</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	5,218,050	3,123,859	3,123,859	
Public safety	1,939,300	2,002,764	2,002,764	
Public works				
Health and welfare	254,000	253,574	253,574	
Culture and recreation	26,400	32,069	32,069	
Education				
Conservation of natural resources	47,250	40,807	40,807	
Economic development and assistance	95,000	17,040	17,040	
Debt service:				
Principal				
Interest				
Bond issue costs				
Total Expenditures	<u>7,580,000</u>	<u>5,470,113</u>	<u>5,470,113</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(2,390,000)</u>	<u>76,920</u>	<u>76,920</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued				
Long-term non-capital debt issued				
Refunding bonds issued				
Proceeds from sale of capital assets				
Premiums on bonds issued				
Compensation for loss of capital assets				
Transfers in				
Transfers out	(432,000)	(275,210)	(275,210)	
Lease principal payments				
Payment to bond refunding escrow agent				
Discount on bonds issued				
Other financing sources	22,000	148,590	148,590	
Other financing uses				
Total Other Financing Sources and Uses	<u>(410,000)</u>	<u>(126,620)</u>	<u>(126,620)</u>	<u>0</u>
Net Change in Fund Balance	(2,800,000)	(49,700)	(49,700)	
Fund Balances - Beginning	<u>2,800,000</u>	<u>3,423,748</u>	<u>3,423,748</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>3,374,048</u>	<u>3,374,048</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

GEORGE COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2011

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

		Governmental Fund Types
		General Fund
Budget (Cash Basis)	\$	(49,700)
Increase (Decrease)		
Net adjustments for revenue accruals		(303,203)
Net adjustments for expenditure accruals		185,634
GAAP Basis	\$	<u>(167,269)</u>

GEORGE COUNTY

SUPPLEMENTAL INFORMATION

GEORGE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Forest Service/Passed-through the Mississippi Forestry Commission / Cooperative Forestry Assistance	10.664	N/A	\$ 2,952
U.S. Department of Agriculture - Forest Service/Passed-through the Mississippi State Treasurer's Office / Schools and Roads-Grants to States	10.665	N/A	87,120
Total U.S. Department of Agriculture			90,072
U.S. Department of Commerce - National Telecommunications and Information Administration/Passed-through the Mississippi Department of Public Safety-Office of Homeland Security Public Safety Interoperable Communications Grant program	11.555	07PS313	110,830
U.S. Department of Justice Edward Byrne Memorial Justice Assistance Grant Program - Direct Award	16.738	2009-DJ-BX-0122	1,729
U.S. Department of Transportation - Federal Highway Administration/Passed- the Mississippi Department of Transportation / Highway Planning and Construction	20.205	BRISO740120	13,200
U.S. Department of Homeland Security/Passed-through the Mississippi Hazard Mitigation Grant (Fema Shelter West)*	97.039	FEMA-1604-DR-	299,341
Hazard Mitigation Grant (Fema Shelter East)*	97.039	FEMA-1604-DR-	253,014
Subtotal			552,355
Emergency management performance grants	97.042	N/A	20,539
Total U. S. Department of Homeland Security			572,894
Total Expenditures of Federal Awards			788,725

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

* Denotes major federal award program

GEORGE COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2011

Operating Expenditures, Cash Basis:

Salaries	\$ 277,865
Expendable Commodities:	
Gasoline and petroleum products	109,319
Repair parts	99,803
Office, field, and shop supplies	5,923
Contractual services	16,964
Gravel and fencing supplies	361
Tires	26,214
Professional fees, legal advertising and other fees	171,484
Postage and box rent	6,550
Telephone and utilities	<u>3,867</u>

Solid Waste Cash Basis Operating Expenditures	<u><u>718,350</u></u>
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Full Cost Expenses:

Indirect administrative costs	39,297
Depreciation on equipment	89,470
Principal payments on solid waste debt	122,804
Interest payments on solid waste debt	<u>3,764</u>

Solid Waste Full Cost Operating Expenses	\$ <u><u>973,685</u></u>
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GEORGE COUNTY

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GEORGE COUNTY

SPECIAL REPORTS

GEORGE COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
George County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of George County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated February 4, 2013. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the county is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered George County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned costs as 11-1 and 11-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether George County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. We also noted certain immaterial instances of noncompliance which we have reported to the management of George County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated February 4, 2013, included within this document.

George County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit George County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Will R. Doss". The signature is written in a cursive, flowing style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 4, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors
George County, Mississippi

Compliance

We have audited the compliance of George County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2011. George County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of George County, Mississippi's management. Our responsibility is to express an opinion on George County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about George County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on George County, Mississippi's compliance with those requirements.

In our opinion, George County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2011.

Internal Control Over Compliance

The management of George County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered George County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, slightly stylized font.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 4, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
George County, Mississippi

We have examined George County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of George County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

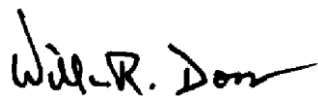
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of George County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, George County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2011.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of George County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 4, 2013

GEORGE COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2011

Our test results did not identify any purchases from other than the lowest bidder.

GEORGE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

Our test results did not identify any emergency purchases.

GEORGE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2011

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
06/09/2011	Car radios and accessories	\$ 34,791.95	Hurricane Electronics

GEORGE COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
George County, Mississippi

In planning and performing our audit of the financial statements of George County, Mississippi for the year ended September 30, 2011, we considered George County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to George County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated February 4, 2013, on the financial statements of George County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Chancery Clerk.

1. The Chancery Clerk claimed unallowable expenses for contract labor.

Finding

According to the Internal Revenue Service, in order to be an unallowable expense on the Schedule C, individuals are determined to be either employee or contract labor but not both. Therefore, employees working for the Chancery Clerk cannot be paid for contract labor if the work performed falls within the duties of an employee of the Chancery Clerk. During the testing of the Chancery Clerk's expenses, it was noted that the Chancery Clerk paid compensation totaling \$4,750 as "contract labor" to the clerk's employees in calendar year 2011 in addition to their normal salaries. This amount was disallowed. Failure to claim the correct expenses on the fee journal will lead to misappropriation of taxpayer money.

Recommendation

We recommend in the chancery clerk ensure that all expenses are allowed for the Schedule C by the Internal Revenue Service.

Chancery Clerks' Response

The personnel compensated as contract labor are done so for specifically contracted tasks that are performed outside the normal Chancery Clerk office hours and operations. Also, my CPA advised me that all expenses are allowed for the Schedule C by the Internal Revenue Service.

Auditor's Note

This was not allowed to be deducted as a valid Schedule "C" expense on the fee journal due to it being contract labor falling within the duties of an employee of the Chancery Clerk.

The Chancery Clerk has repaid the general fund in the amount of \$4,750 with receipt number 26077 on January 10, 2013.

2. Chancery Clerk did not have sufficient funds in its payroll clearing account.

Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits warrants from being signed and delivered by the clerk until there are sufficient funds in the account upon which it is drawn to pay the same. During the testing of the Chancery Clerk's annual financial report and expenses, it was noted that the Chancery Clerk's payroll clearing account has a negative cash balance for \$21,871.05 as of August 9th, 2012, which is used monthly for the chancery's payroll. The failure of the Chancery Clerk reimbursing the payroll clearing account is a misappropriation of taxpayer money.

Recommendation

We recommend the Chancery Clerk reimburse the payroll clearing account every month for payroll and repay the \$21,871.05 owed to the county for payroll reimbursement as of August 9th, 2012.

Chancery Clerk's Response

All of the funds above were repaid by August 31st, 2012. I will continue to repay the county's general fund and comply with the Miss. Code Section 19-13-43.

Auditor's Note

The Chancery Clerk has repaid the general fund in the amount of \$21,871.05 with receipt numbers: 25619, 25620, 25621, 25622 and 25670 on August 17th and September 7th, 2012.

3. Chancery Clerk was overpaid for per diem expenses.

Finding

Section 25-7-9(1)(h), Miss. Code Ann. (1972), authorizes payment of per diem for attending court for the Chancery Clerk and up to two deputy clerks. During the testing of the annual financial report for the Chancery Clerk, it was noted that the clerk received per diem for court attendance for herself, a deputy clerk, and a bailiff for 73 days, resulting in a \$3,650 overpayment to the clerk. Failure to comply with the Mississippi Code could lead to misappropriation of taxpayer money.

Recommendation

We recommend that in the Chancery Clerk comply with the Mississippi Code and only bill the county for the per diem for attending court for clerk and up to two deputy clerks that actually attend court.

Chancery Clerk's Response

The billing of court per diem expenses which caused an overpayment, was not due to billing for a bailiff, it was in 2006 when a new court clerk was hired and started billing court per diem incorrectly, which I have immediately took measures to correct this matter, and I am in compliance with Miss. Code Section 25-7-9(1)(h).

4. Chancery Clerk withdrew funds in excess of the salary cap from the fee journal.

Finding

Miss. Code Section 9-1-43(1), Miss. Code Ann. (1972), requires that fees received by the Chancery Clerk in excess of \$90,000 be deposited into the county's general fund on or before April 15th for the preceding calendar year. During the testing of the annual financial report, it was noted that the Chancery Clerk owed the county's general fund \$23,887.23 for 2011. Failure to repay fees owed to the county is a misappropriation of taxpayer money.

Recommendation

We recommend the Chancery Clerk complies with the Mississippi Code by ensuring repayments to the county's general fund is done by April 15th each year.

Chancery Clerk's Response

I will comply with the Mississippi Code.

Auditor's Note

The Chancery Clerk has repaid the general fund in the amount of \$23,887.23 with receipt number 25696 on September 12, 2012.

Board of Supervisors.

5. The Board of Supervisors should not authorize an interest free loan to the Chancery Clerk.

Finding

The county made an interest free loan to the Chancery Clerk. This loan was made when the county allowed the Chancery Clerk to maintain a negative cash balance in the Chancery Clerk's payroll fund. The Mississippi code is silent regarding the authority of the county to make such a loan. Failure of the Board of Supervisors to ensure repayment of this loan is an illegal diversion of legally restricted funds.

Recommendation

The Board of Supervisors should ensure that this loan is repaid. In the future the Chancery Clerk's payroll account should be kept current.

Board of Supervisors' Response

The Board of Supervisors will ensure that the Chancery Clerk's payroll reimbursement will be kept current.

George County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

February 4, 2013

GEORGE COUNTY

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GEORGE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

GEORGE COUNTY

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GEORGE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Business-type activities | Unqualified |
| | Aggregate discretely presented component unit | Adverse |
| | General fund | Unqualified |
| | Regional Jail Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiencies identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. CFDA #97.039 – Hazard Mitigation Grant | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

GEORGE COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2011

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 11-1. The county should implement controls to ensure preparation of its financial statements.

Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. Management did not have personnel who possessed the necessary training to prepare financial statements in accordance with general accepted accounting principles. George County's accounting records are maintained on the cash basis and the auditors assisted in the preparation of accrual entries and in the drafting of the primary government financial statements. However, the County has made all management decisions, including approving accrual entries, designating an individual with a basic understanding of the financial statements and related note disclosures to oversee the financial statement preparation; evaluating the adequacy and results of the services performed and accepting responsibility for the results of the services.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements and note disclosures are prepared in accordance with generally accepted accounting principles

Board of Supervisors' Response

The Board of Supervisors did not find it financially feasible to hire personnel to prepare financial statements in accordance with generally accepted accounting principles.

Board of Supervisors.

Material Weakness

- 11-2. Financial data for component units should be included in the financial statements.

Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for the county's legally separate component unit. As reported in the prior four years' audit reports, the financial statements do not include the financial data for the county's legally separate component unit. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on its discretely presented component unit.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component unit for the inclusion in the county's financial statements.

Board of Supervisors' Response

The Board of Supervisors do not find it feasible to provide the financial data for George County Hospital for the inclusion in the county's financial statements.

GEORGE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2011

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.